
State Employee Health Insurance

House Appropriations Committee Hearing

February 5, 2025



ADOA Administers a \$1 B Health Plan for State Employees

- 136,000 members (inc. employees, their dependents, and retirees).
- Employees have choice of 2 plans:
 - Triple-Choice Plan (TCP)
 - High-Deductible Health Plan (HDHP) with a Health Savings Account (HSA)
- Both employee and employer (state agency) make premium contributions:
 - Average employee monthly premium is \$128 (11%)
 - Average employer monthly premium is \$1,064 (89%)
- Premiums are deposited into the Health Insurance Trust Fund (HITF).
 - HITF is a self-insured fund—state is responsible for covering any losses.

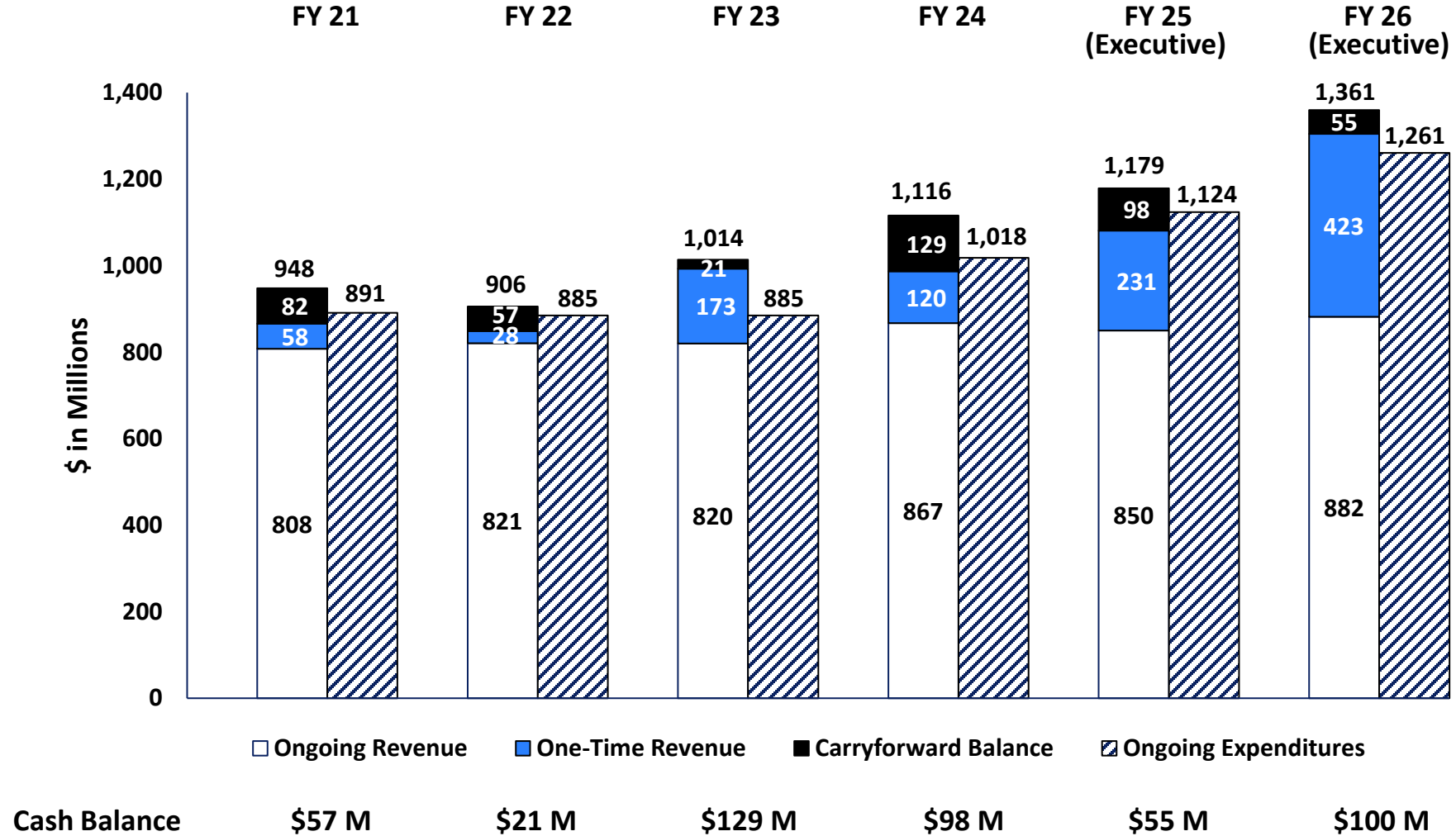
HITF Has Experienced Financial Issues for Several Years

- Recent Solution: One-Time Employer Increases

- Plan was overfunded in 2010s, we transferred \$275 M out.
 - Subsequently, HITF developed a shortfall due to insufficient ongoing premium revenue to cover health plan expenses.
- HITF has received cumulative total of \$384 M General Fund (\$725 M total funds) from one-time employer premium contribution increases since FY 18.
 - Employee rates last increased in PY 21.
- FY 25 budget included a one-time \$140 M General Fund (\$231 M total funds) employer subsidy to stabilize the fund.

HITF Has Experienced Financial Issues for Several Years (continued)

- Recent Solution: One-Time Employer Increases



After Stable Growth in FY 21-23, Expenditures Have Accelerated

- State plan expenditures grew by 15.0% in FY 24.
- Executive estimates expenditure growth will continue:
 - 10.4% in FY 25
 - 12.2% in FY 26
- In first 5 months, FY 25 expenditures are 13.2% above the same period in the prior year.
- Potential reasons for significant growth:
 - High-cost brand name and specialty drug utilization, particularly antidiabetics
 - Other utilization and price trends
 - But since FY 19, the average annual growth has been 2.6%

Executive Budget Continues One-Time Approach to HITF

- Also Proposes Ongoing General Fund Deposit

- Executive includes one-time employer premium subsidy in FY 26.
 - Would cost \$198 M General Fund (\$423 M total funds).
- Executive separately includes \$25 M General Fund for ongoing deposit.
 - Would not include support from non-General Fund sources.
- Executive proposes budgeting for a \$100 M FY 26 HITF ending balance.
 - As a self-insured fund, state needs some balance; usually budgeted less.
- Alternatives to these approaches:
 - Ongoing employer contribution increase
 - Ongoing employee contribution increase, and/or
 - Changes to plan design (premiums, deductibles, copays)

Executive's Proposal Reallocates HITF Funding Among Agencies

- Some Agencies Benefit, Others Would Experience a Loss.

- HITF allocations are typically determined by JLBC.
 - Relies on data available to Executive on agency HITF charges by fund source.
 - Previous budgets have proportionally matched prior-year allocations.
- Executive proposes significant changes to how its \$198 M increase is allocated among agencies.
 - We have asked the Executive how the changes were determined.
 - On average, each agency should have a 40% increase in the state subsidy.
- Examples of major winners/losers relative to the average 40% increase:
 - Arizona State University: \$20 M or 67% above prior year
 - Northern Arizona University: \$13 M or 794% above prior year
 - University of Arizona: \$(1) M or (4)% below prior year

Appendix A: Contributions by Plan Type

Medical Plan Premiums per Pay Period ¹					
	Triple Choice Plan (TCP)		High Deductible Health Plan + HSA (HDHP)		
	Employee	State	Employee	State	Agency HSA Contribution
Employee Only	\$26.17	\$370.52	\$10.15	\$250.20	\$27.69
Employee + Spouse	\$71.49	\$763.03	\$30.46	\$518.56	\$55.38
Employee + 1 Child	\$57.30	\$496.26	\$25.89	\$338.98	\$55.38
Family	\$121.61	\$863.99	\$56.35	\$577.74	\$55.38

Carriers



BlueCross
BlueShield
of Arizona



United
Healthcare